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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

National Intelligence Officers

NFAC 7086-80

27 October 1980

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA: Deputy Director for National Foreign Assessment
National Intelligence Officer for Warning

FROM: [REDACTED] 25X1
Assistant National Intelligence Officer for Western Europe

SUBJECT: Monthly Warning Assessment: Western Europe

ITALY:

1. The new Forlani government, with a larger parliamentary majority than its predecessor the second Cossiga government, may prove rather more durable. But the immediate outlook is for a degree of instability and maneuvering within and among the parties until new political relationships solidify. Forlani will have his hands full trying to mediate between the left and right wings of the Christian Democratic Party on the question of a formula for working with the PCI whose cooperation at least in some limited form now seems indispensable for the government. (The PCI has already won from the DC a call for "dialogue" and is angling for patronage slots in Italy's vast bureaucracy.) Both the DC and the PCI will want to block Craxi's strategy for the Socialist Party: to create a new grouping, including the smaller lay parties, that would challenge the DC's status as the central and largest element in the Italian political system. In foreign policy Forlani will probably carry forward the main lines of the previous government, with perhaps a stronger emphasis on unity of action with other West European governments. [REDACTED] 25X1

FRANCE:

2. For the moment the labor scene is calm in France, but there are serious underlying problems -- pressure on consumers under the economic restraint of the Barre program, worker frustration over the lack of real political alternatives to the present government, and disorganization within and among the unions themselves -- that could prompt local or wildcat strikes in coming months, possibly leading to more widespread labor disruption. Both government officials and labor leaders show signs of concern at this risk. The longer-term questions are

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whether such turbulence could undermine Giscard's presidential campaign on the theme of "security," whether it could constrain his mandate somewhat, particularly his ability to persist in something like the economic discipline of the Barre program, and whether it could disrupt French plans for significant industrial restructuring in certain sectors. [REDACTED]

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UK:

3. Beyond the immediate difficulties of Thatcher's economic program -- money supply unmanagability, high public sector borrowing, failures in major industries, and only slow progress against inflation -- lies an ominous future for the UK's trading position. Export and import-competing industries are the ones most seriously hurt of late; moreover, the government's plan to restructure industry toward high-technology enterprises will produce labor market disruptions and require sizeable government funding, because these industries call for large capital expenditures and also because the UK is behind the international "learning curve" in critical areas. The result promises to be even stronger protectionist sentiment in the UK. Serious pressure on the defense budget has developed as well, with short-term cuts especially in operating expenditures already being made. Both of these difficulties will add an element of tension to the UK's relationship with the US. [REDACTED]

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EAST-WEST ISSUES: POLAND

4. West European leaders remain generally pessimistic about developments in Eastern Europe, especially the prospects for Poland and the near-term outlook for inner-German relations. They doubt that they have much leverage over Soviet or East European behavior, and will likely continue to respond to Soviet pressures on Eastern Europe with restraint, almost a suppression of their instincts, trying to find ways to adapt and stressing the great complexity of the ties between East and West in Europe. We see little sign that the West Europeans will fall out among themselves or with the US on the Polish question, but differences could arise over what formulas the West should use in providing economic aid. [REDACTED]

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